

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2772 - SB 2623

January 28, 2012

SUMMARY OF BILL: Exempts from state and local sales tax the qualified purchase, lease, or use of golf carts, certain maintenance vehicles and trailers, certain appliances, certain mowing and lawn equipment, systems for weed control and irrigation, lawn care products, electricity, natural gas and liquefied gas, when purchased, leased, or used by a qualified golf course operator as defined. Requires golf course operators to submit an exemption application to the Department of Revenue (DOR). Requires the Commissioner of Revenue to issue exemption certificates, valid for a period of five years.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$486,000

Decrease Local Revenue - \$205,300

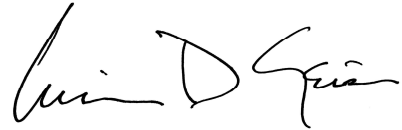
Assumptions:

- According to DOR, and based on 2007 U.S. Census Bureau data, Tennessee had 214 establishments in the industrial classification of golf courses and country clubs.
- DOR indicates, based on 2002 U.S. Census data, that approximately 71.8 percent (or 154) do not have tax-exempt status.
- According to a 2010 report from the American Society of Golf Course Architects, maintenance costs for golf courses range from \$250,000 to \$650,000 each year.
- The average maintenance cost for Tennessee golf courses is estimated to be \$300,000 per year.
- Thirty-five percent of the average maintenance cost for Tennessee golf courses (\$105,000) is considered non-labor costs.
- Seventy-five percent of non-labor maintenance costs for Tennessee golf courses (\$78,750) are assumed to be sales-taxable under current law.
- Sixty percent of sales-taxable non-labor maintenance costs for Tennessee golf courses (\$47,250) are assumed to be for items that would be eligible for the exemption proposed by this bill.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.

- The decrease in state sales tax revenue is estimated to be \$509,355 ($154 \times \$47,250 \times 7.0\%$); the decrease in local option sales tax revenue is estimated to be \$181,913 ($154 \times \$47,250 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The local share of state-shared sales tax revenue is estimated to be \$23,392 ($\$509,355 \times 4.5925\%$).
- All above estimates are assumed to remain constant in subsequent years.
- The net recurring decrease in state revenue is estimated to be \$485,963 ($\$509,355 - \$23,392$).
- The total recurring decrease in local revenue is estimated to be \$205,305 ($\$181,913 + \$23,392$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

/rnc